

Consolidated Financial Statements of
The Regional Municipality of Durham

For the year ended December 31, 2020

Independent Auditor's Report

To the Members of Council of
the Regional Municipality of Durham

Opinion

We have audited the consolidated financial statements of the Regional Municipality of Durham, which comprise the statement of financial position as at December 31, 2020, and the statements of operations and accumulated surplus, change in net financial assets, and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Regional Municipality of Durham as at December 31, 2020, and the results of its operations, change in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards ("PSAS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the consolidated financial statements* section of our report. We are independent of The Regional Municipality of Durham in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PSAS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Regional Municipality of Durham's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Regional Municipality of Durham or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Regional Municipality of Durham's financial reporting process.

Auditor's Responsibilities for the Audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Regional Municipality of Durham's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Regional Municipality of Durham's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Regional Municipality of Durham to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Regional Municipality of Durham to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants
June 15, 2021

The Regional Municipality of Durham

Consolidated Statement of Financial Position

December 31, 2020

(in thousands of dollars)

	<u>2020</u>	<u>2019</u>
FINANCIAL ASSETS		
Cash	\$ 155,993	\$ 72,610
Investments (Note 4)	3,117,437	2,836,281
Accounts receivable	187,590	166,583
Other current assets	293	391
Debenture debt recoverable from local municipalities (Note 5)	137,174	134,683
	3,598,487	3,210,548
FINANCIAL LIABILITIES		
Accounts payable and accrued liabilities	433,641	368,937
Deferred revenue - Schedule 1	837,051	750,571
Debenture debt (Note 5)	191,119	206,279
Employee benefits and post-employment liabilities (Note 6)	222,634	209,918
Landfill closure and post closure liabilities (Note 7)	7,248	17,171
	1,691,693	1,552,876
NET FINANCIAL ASSETS	\$ 1,906,794	\$ 1,657,672
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 9)	4,159,540	4,087,090
Inventories	5,101	5,078
	4,164,641	4,092,168
ACCUMULATED SURPLUS (Note 10)	\$ 6,071,435	\$ 5,749,840

The accompanying notes and schedules are an integral part of these consolidated financial statements.

The Regional Municipality of Durham

Consolidated Statement of Operations and Accumulated Surplus

Year ended December 31, 2020

(in thousands of dollars)

	2020		2019
	Budget (Note 11)	Actual	Actual
REVENUES			
Property taxes	\$ 710,393	\$ 720,698	\$ 690,912
User charges			
Water and sewer	218,289	237,375	220,255
Other	122,551	106,480	110,662
Government transfers			
Canada	10,446	12,560	9,625
Ontario	307,561	356,581	323,587
Deferred revenue earned - Schedule 1	120,166	100,456	79,077
Fines (Note 15)	9,157	5,156	6,164
Contributed tangible capital assets (Note 9)	15,333	28,704	13,016
Other	23,387	68,300	91,386
TOTAL REVENUES	1,537,283	1,636,310	1,544,684
EXPENSES			
General government	84,943	72,872	70,424
Protection to persons and property	257,049	243,466	237,519
Transportation services	87,712	89,484	88,551
Transit	101,761	98,535	107,826
Environmental services	346,168	289,416	286,682
Health services	111,508	111,188	102,360
Social and family services	332,157	337,770	339,014
Social housing	56,879	71,984	65,268
TOTAL EXPENSES	1,378,177	1,314,715	1,297,644
ANNUAL SURPLUS	159,106	321,595	247,040
ACCUMULATED SURPLUS, BEGINNING OF YEAR	5,749,840	5,749,840	5,502,800
ACCUMULATED SURPLUS, END OF YEAR (Note 10)	\$ 5,908,946	\$ 6,071,435	\$ 5,749,840

The accompanying notes and schedules are an integral part of these consolidated financial statements.

The Regional Municipality of Durham

Consolidated Statement of Change in Net Financial Assets

Year ended December 31, 2020

(in thousands of dollars)

	2020		2019
	Budget (Note 11)	Actual	Actual
ANNUAL SURPLUS	\$ 159,106	\$ 321,595	\$ 247,040
Acquisition of tangible capital assets	(414,632)	(197,442)	(176,925)
Contributed tangible capital assets (Note 9)	(15,333)	(28,704)	(13,016)
Amortization of tangible capital assets	144,484	151,530	145,730
Loss on disposal of tangible capital assets	-	1,651	350
Proceeds on disposal of tangible capital assets	-	515	626
Change in inventories	-	(23)	(826)
INCREASE IN NET FINANCIAL ASSETS	(126,375)	249,122	202,979
NET FINANCIAL ASSETS, BEGINNING OF YEAR	1,657,672	1,657,672	1,454,693
NET FINANCIAL ASSETS, END OF YEAR	\$ 1,531,297	\$ 1,906,794	\$ 1,657,672

The accompanying notes and schedules are an integral part of these consolidated financial statements.

The Regional Municipality of Durham

Consolidated Statement of Cash Flows

Year ended December 31, 2020

(in thousands of dollars)

	2020	2019
OPERATING		
Annual surplus	\$ 321,595	\$ 247,040
Non-cash charges to operations		
Amortization of tangible capital assets	151,530	145,730
Contributed tangible capital assets (Note 9)	(28,704)	(13,016)
Loss on disposal of tangible capital assets	1,651	350
Amortization of bond (discount)/premium	(586)	754
Change in non-cash assets and liabilities		
Accounts receivable	(21,007)	(7,011)
Other current assets	98	122
Accounts payable and accrued liabilities	64,704	9,010
Deferred revenue	86,480	98,759
Employee benefits and post-employment liabilities	12,716	8,740
Landfill closure and post closure liabilities	(9,923)	4,950
Inventories	(23)	(826)
Net increase in cash from operating activities	578,531	494,602
CAPITAL		
Proceeds on disposal of tangible capital assets	515	626
Acquisition of tangible capital assets	(197,442)	(176,925)
Net (decrease) in cash from capital activities	(196,927)	(176,299)
INVESTING		
Proceeds on maturity of investments	1,275,109	1,045,218
Acquisition of investments	(1,555,679)	(1,704,176)
Net (decrease) in cash from investing activities	(280,570)	(658,958)
FINANCING		
Regional debenture debt principal repayments	(17,651)	(22,076)
Net (decrease) in cash from financing activities	(17,651)	(22,076)
NET INCREASE/(DECREASE) IN CASH, DURING THE YEAR	83,383	(362,731)
CASH, BEGINNING OF YEAR	72,610	435,341
CASH, END OF YEAR	\$ 155,993	\$ 72,610

The accompanying notes and schedules are an integral part of these consolidated financial statements.

The Regional Municipality of Durham

Notes to the Consolidated Financial Statements

December 31, 2020
(in thousands of dollars)

1. Municipal Structure

The Regional Municipality of Durham (the “Region”) came into existence on October 15, 1973 and assumed its responsibilities on January 1, 1974, and operates as an upper tier government in the Province of Ontario, Canada.

The Region comprises the following local municipalities that are responsible for local services, including property tax billing and collections:

- Town of Ajax
- Township of Brock
- Municipality of Clarington
- City of Oshawa
- City of Pickering
- Township of Scugog
- Township of Uxbridge
- Town of Whitby

Within these local municipalities, the Region provides a wide range of regional services to stakeholders. The services are classified in the following segments:

General Government

This segment consists of services provided by the following administrative departments: Regional Council, Offices of the Regional Chair and the Chief Administrative Officer, Finance, Corporate Services, and Planning and Economic Development. In addition to the governmental administrative functions, the services of this segment include Regional official plan formulation and administration, regional development and promotion, and administrative and financial support, including debt issues and property tax policy.

Protection to Persons and Property

This segment includes Police Services, Emergency Management, Fire Co-ordination, Emergency 911 telephone services, the administration, prosecution and collection of fines under the Provincial Offences Act, and funding provided to Conservation Authorities.

Transportation Services

This segment consists of the planning, design, construction and maintenance of Regional roads, including winter control and associated traffic signal systems and controls.

Transit

Durham Region Transit (“DRT”) operates an integrated public transit system serving communities in the Region.

The Regional Municipality of Durham

Notes to the Consolidated Financial Statements

December 31, 2020
(in thousands of dollars)

1. Municipal Structure (Continued)

Environmental Services

The services of this segment fall under three areas: Solid Waste Management – solid waste collection, disposal and diversion (for all local municipalities with the exception of collection performed by the City of Oshawa and the Town of Whitby directly) and recycling programs; Water Supply - supply, treatment and distribution of water; and, Sanitary Sewerage – sewage collection and treatment, and the maintenance of regional storm sewers.

Health Services

Services provided include public health programs targeted at the prevention of disease, health promotion and protection as well as land ambulance services.

Social and Family Services

The following services are included in this segment: Income and Employment Support, Long-Term Care and Services for Seniors, Children's Services, and Family Services.

Social Housing

This segment is responsible for the provision, in partnership with the community, of subsidized housing, including the operations of the wholly-owned Durham Regional Local Housing Corporation ("DRLHC"), rent supplement and homelessness programs.

2. Summary of Accounting Policies

The consolidated financial statements of the Region are representations of management and are prepared in accordance with generally accepted accounting principles for government as recommended by the Public Sector Accounting Board ("PSAB") of the Chartered Professional Accountants of Canada.

The focus of PSAB financial statements is on the financial position of the Region and its financial performance. The Consolidated Statement of Financial Position reports financial assets and liabilities, and the non-financial assets of the Region. Financial assets are available to provide resources to discharge existing liabilities or finance future operations. Accumulated surplus represents the financial position of the Region and is the sum of the Region's net financial assets and non-financial assets.

(a) Reporting Entity

- i. The consolidated financial statements reflect the financial activities of all entities that are controlled by the Region, and include the Durham Regional Police Services, DRT, and the DRLHC. The assets, liabilities, revenues and expenses of these entities are consolidated line by line on a uniform basis of accounting, after eliminating all inter-entity transactions. The financial position and operations of community social housing providers are not consolidated in these consolidated financial statements as the Region does not exercise control over them. Funding paid to these providers is included in the expenses of the social housing segment in the Consolidated Statement of Operations and Accumulated Surplus.

The Regional Municipality of Durham

Notes to the Consolidated Financial Statements

December 31, 2020
(in thousands of dollars)

2. Summary of Accounting Policies (Continued)

- ii. Trust Funds administered by the Region are not included in these consolidated financial statements. Trust Funds are disclosed separately in the Trust Funds Statement of Financial Position and the Trust Funds Statement of Financial Activities and Fund Balances.

(b) Basis of Accounting

- i. Accrual Basis of Accounting

Revenues and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues in the period in which transactions or events occurred that gave rise to the revenues; expenses are recognized in the period the goods and services are acquired and a liability is incurred or transfers are due.

- ii. Non-financial assets

Non-financial assets are not available to discharge existing liabilities and are used in the provision of services. They have useful lives extending beyond the current year, and are not intended for sale in the ordinary course of operations.

(a) Tangible capital assets

Tangible capital assets are recorded at cost, which includes amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of tangible capital assets, excluding land and active landfill sites, is amortized on a straight line basis over estimated useful lives as follows:

	Useful Life - Years
Land improvements	20
Buildings and building improvements	15 - 80
Vehicles	3 - 15
Machinery and equipment	3 - 30
Water and wastewater - infrastructure	20 - 80
Roads - infrastructure	30 - 100

Active landfill sites are amortized using the units of production method based upon capacity used during the year.

Amortization is charged in the year of acquisition and in the year of disposal. Tangible capital assets under construction are not amortized until the tangible capital assets are in service.

(b) Contributed tangible capital assets

Tangible capital assets received as contributions, primarily water and wastewater infrastructure, and the related revenue, are recorded at their fair value on the earlier of the date received or the transfer of risk and responsibility.

The Regional Municipality of Durham

Notes to the Consolidated Financial Statements

December 31, 2020
(in thousands of dollars)

2. Summary of Accounting Policies (Continued)

(c) Leases

Leases are classified as operating or capital leases. Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as capital leases. All other leases are accounted for as operating leases and the related payments are charged to expenses as incurred.

(d) Inventories

Inventories held for consumption are recorded at the lower of cost or replacement cost.

iii. Pension and Employee Benefits and Post-Employment Liabilities

The Region accounts for its participation in the Ontario Municipal Employees Retirement System ("OMERS"), a multi-employer public sector pension fund, as a defined contribution plan. The OMERS plan specifies the retirement benefits to be received by employees based on length of service and pay rates.

Employee benefits include vacation entitlements, sick leave benefits, post-employment benefits and workplace safety and insurance ("WSI") benefits. Vacation entitlements are accrued as entitlements are earned. Sick leave, post-employment and WSI benefits are subject to actuarial valuations and are accrued in accordance with the projected benefit method, prorated on service, and management's best estimate of salary escalation and retirement ages of employees. Actuarial gains and losses related to past service of employees or changes in actuarial assumptions are amortized on a straight line basis over the expected average remaining service life of the employee groups. Amortization begins in the year following the effective date of the related actuarial valuation.

iv. Deferred Revenue

Development charges collected under the Development Charges Act, 1997, government transfers of gas taxes and other conditional grants are reported as deferred revenue in the Consolidated Statement of Financial Position. These amounts are recognized as revenues in the period in which related transactions or events occur.

v. Investments

Investments are recorded at the lower of cost plus accrued interest or market value. Investment income on available funds is recorded in the period earned. Interest income earned on deferred revenue forms part of the deferred revenue balances.

vi. Tax Revenue

Tax revenue is recognized on all taxable properties that are included in the annual assessment roll or through supplementary assessment rolls provided by the Municipal Property Assessment Corporation ("MPAC") in the period the tax is levied. Tax revenue is determined using the current value assessments provided by MPAC in the annual assessment roll or through supplementary assessment rolls at the tax rates authorized by Regional Council based on the approved budget.

The Regional Municipality of Durham

Notes to the Consolidated Financial Statements

December 31, 2020
(in thousands of dollars)

2. Summary of Accounting Policies (Continued)

vii. Government Transfers

Government transfers are recognized in the period during which the transfers are authorized and any eligibility criteria are met. Government transfers are deferred if they are restricted through stipulations that require specific actions to be carried out in order to recognize the transfer. For such transfers, revenue is recognized when the stipulation has been met. Significant transfers recognized as revenue include subsidies for Health Services, including Land Ambulance Services, and for Social and Family Services programs, including Income and Employment Support, Long-Term Care and Services for Seniors, and Children's Services. Significant transfers recognized as expenses include payments to individuals under the Social and Family Services Income and Employment Support programs and to Social Housing providers under the Social Housing segment. The Consolidated Schedule of Segment Disclosure, Schedule 3, discloses government transfer revenues and expenses by segment.

viii. Use of Estimates

The preparation of these consolidated financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts in the consolidated financial statements and accompanying notes. Significant estimates relate to accounts receivable, accrued liabilities and employee benefits and post-employment liabilities. Due to the inherent uncertainty in making estimates, actual results could differ from those estimates.

ix. Segment Disclosure

Revenues and expenses of the segments identified in Note 1 include amounts that are directly attributable to the segment and amounts that can be allocated on a reasonable basis. Items that are corporate in nature and not subject to allocation are identified as unallocated. The accounting policies used for segmented disclosure are consistent with the accounting policies noted above.

The Regional Municipality of Durham

Notes to the Consolidated Financial Statements

December 31, 2020
(in thousands of dollars)

3. Accounting Standards Issued for Future Adoption

The Public Sector Accounting Board has approved new Public Sector Accounting Standards to be adopted by the Region in the future. A number of these new standards are interdependent and therefore will require concurrent adoption.

PS 1201, Financial Statement Presentation, PS 3450, Financial Instruments, PS 3041, Portfolio Investments, and PS 2601 Foreign Currency Translation, are new standards that are interdependent and will require concurrent adoption. PS 1201 provides guidance and presentation requirements for financial statements, including a new statement of remeasurement of gains and losses. PS 3450 establishes standards on how to account for and report all types of financial instruments including derivatives. Unrealized gains and losses will be presented in the new statement of remeasurement of gains and losses. PS 3041 has removed the distinction between temporary and portfolio investments, and pooled investment funds will now be included within the standard's scope. PS 2601 requires that both monetary, and fair valued, non-monetary assets and liabilities, denominated in a foreign currency, be adjusted to reflect exchange rates in effect at the financial statement date. Any unrealized gains or losses will be recognized in the new statement of remeasurement of gains and losses.

PS 3280, Asset Retirement Obligations, addresses the recognition, measurement, presentation and disclosure of legal obligations associated with the retirement of tangible capital assets.

PS 3400, Revenue, establishes standards on how to account for and report revenue, and differentiates between revenue arising from transactions that include performance obligations and transactions that do not have performance obligations.

The Public Sector Accounting Board has deferred the effective dates of these new standards to fiscal years beginning on or after the effective dates shown in the following table.

Public Sector Accounting Standard	Effective Date
PS 1201 - Financial Statement Presentation	April 1, 2022
PS 3450 - Financial Instruments	April 1, 2022
PS 3041 - Portfolio Investments	April 1, 2022
PS 2601 - Foreign Currency Translation	April 1, 2022
PS 3280 - Asset Retirement Obligations	April 1, 2022
PS 3400 - Revenue	April 1, 2023

The Region has not yet adopted these standards or determined the effect on the consolidated financial statements.

4. Investments

Investments consisting of bankers acceptances, guaranteed investment certificates, treasury bills, bonds and money market funds have an amortized cost of \$3,117,437 (2019 – \$2,836,281) and a market value of \$3,128,772 (2019 – \$2,839,941). Included in the Consolidated Statement of Operations and Accumulated Surplus is bond discount amortization of \$586 (2019 – bond premium amortization of \$754). There are no portfolio investments (2019 – \$nil).

The Regional Municipality of Durham

Notes to the Consolidated Financial Statements

December 31, 2020
(in thousands of dollars)

5. Debenture Debt

- (a) Debenture debt reported on the Consolidated Statement of Financial Position is made up of the following:

	<u>2020</u>	<u>2019</u>
Total debenture debt	\$ 191,119	\$ 206,279
Debenture debt recoverable from local municipalities	(137,174)	(134,683)
Regional debenture debt (Note 10)	\$ 53,945	\$ 71,596

Interest rates for Regional debenture debt range from 2.8% to 5.73%, with maturities between September 2021 and October 2033.

Local municipalities have assumed responsibility for payment of principal and interest charges for their respective portions of the total debenture debt, interest rates ranging from 0.45% to 5.33% and maturities between July 2021 and October 2040. In 2020 the Region issued debenture debt on behalf of the local municipalities for \$19,606 (2019 – \$17,291). The Region is contingently liable for these debentures.

- (b) The Regional debenture debt principal repayments required over the next five years and in total thereafter are as follows:

	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>Thereafter</u>	<u>Total</u>
	\$	\$	\$	\$	\$	\$	\$
Sanitary Sewerage	694	716	738	761	784	3,386	7,079
Long Term Care	5,504	5,806	6,126	6,463	709	6,800	31,408
General Government	2,971	3,142	1,638	-	-	-	7,751
Police Services	3,252	2,189	2,266	-	-	-	7,707
	12,421	11,853	10,768	7,224	1,493	10,186	53,945

Total interest charges for Regional debenture debt reported on the Consolidated Statement of Operations and Accumulated Surplus are \$3,009 (2019 - \$3,893).

The annual principal and interest payments required to service these liabilities are within the annual debt repayment limit prescribed by the Ministry of Municipal Affairs and Housing.

The Regional Municipality of Durham

Notes to the Consolidated Financial Statements

December 31, 2020
(in thousands of dollars)

6. Employee Benefits and Post-Employment Liabilities

The Region provides certain employee benefits that require funding in future periods. These benefits include post-employment benefits for health and dental, sick leave, and benefits mandated under the Workplace Safety and Insurance Act. The accrued benefit liability and expense amounts for these employee benefits are based on the results of the December 31, 2018 triennial actuarial valuations, updated to December 31, 2020, prepared by an independent actuary. These benefits are comprised of:

	<u>2020</u>	<u>2019</u>
Sick leave benefits	\$ 91,652	\$ 88,019
Post-employment benefits	109,444	101,914
Workplace safety and insurance benefits	21,538	19,985
Total employee benefits and post-employment liabilities	222,634	209,918
Funded post-employment benefits	(37,353)	(32,146)
Unfunded employee benefits and post-employment liabilities (Note 10)	\$ 185,281	\$ 177,772

Significant management assumptions used in the actuarial valuations are:

Discount rates for accrued benefit obligations	3.60% (sick leave) 3.40% to 3.60% (post-employment) 3.40% (workplace safety and insurance)
Inflation rate	3% (sick leave and post-employment) 2% (workplace safety and insurance)
Healthcare benefit cost escalation	
Drug	7% in 2019, reducing to 4% over 15 years
Healthcare spending account	6% in 2019, reducing to 0% over 15 years
Vision	2.5% in 2019, reducing to 0% over 10 years
Dental and other health	4%

The Regional Municipality of Durham
Notes to the Consolidated Financial Statements

December 31, 2020
(in thousands of dollars)

6. Employee Benefits and Post-Employment Liabilities (Continued)

(a) Sick Leave Benefits

Employees accrue sick leave benefits for future use. In addition, certain sick leave benefit plans provide for accumulation of unused benefits and employees may become entitled to a cash payment when they leave the Region's employment. The liability for these two components of sick leave benefits and expense, as determined by actuarial valuation at December 31, 2018, updated to December 31, 2020, is as follows:

	<u>2020</u>	<u>2019</u>
Liability for sick leave benefits		
Accrued benefit obligation, beginning of year	\$ 92,042	\$ 93,987
Current period benefit cost	6,985	7,255
Plan amendment	-	(4,147)
Interest on accrued benefit obligation	3,436	3,491
Benefit payments	(7,176)	(8,544)
Accrued benefit obligation, end of year	95,287	92,042
Unamortized actuarial losses	(3,635)	(4,023)
Liability for sick leave benefits	<u>\$ 91,652</u>	<u>\$ 88,019</u>
Sick leave benefit expense		
Current period benefit cost	\$ 6,985	\$ 7,255
Plan amendment incurred during the year	-	(4,147)
Interest on accrued benefit obligation	3,436	3,491
Amortization of actuarial losses	388	1,867
Total sick leave benefit expense	<u>\$ 10,809</u>	<u>\$ 8,466</u>

Actuarial gains/losses are amortized over the expected average remaining service life of twelve to fifteen years for the related employee groups.

The Regional Municipality of Durham
Notes to the Consolidated Financial Statements

December 31, 2020
(in thousands of dollars)

6. Employee Benefits and Post-Employment Liabilities (Continued)

(b) Post-Employment Benefits

The Region provides certain benefits to qualifying employees following retirement. Benefit entitlement ceases at age 65, with the exception of Police Services employees whose entitlement ceases at either age 70 or 75, and of certain employees whose coverage is maintained for life. The liability for post-employment benefits and expense, as determined by actuarial valuation at December 31, 2018, updated to December 31, 2020, is as follows:

	<u>2020</u>	<u>2019</u>
Liability for post-employment benefits		
Accrued benefit obligation, beginning of year	\$ 127,515	\$ 123,442
Current period benefit cost	6,607	6,382
Interest on accrued benefit obligation	4,671	4,520
Benefit payments	(6,943)	(6,829)
Accrued benefit obligation, end of year	131,850	127,515
Unamortized actuarial losses	(22,406)	(25,601)
Liability for post-employment benefits	<u>\$ 109,444</u>	<u>\$ 101,914</u>
Post-employment benefit expense		
Current period benefit cost	\$ 6,607	\$ 6,382
Interest on accrued benefit obligation	4,671	4,520
Amortization of actuarial losses	3,195	3,194
Total post-employment benefit expense	<u>\$ 14,473</u>	<u>\$ 14,096</u>

Actuarial gains/losses are amortized over the expected average remaining service life of ten to fifteen years for the related employee groups.

The Regional Municipality of Durham
Notes to the Consolidated Financial Statements

December 31, 2020
(in thousands of dollars)

6. Employee Benefits and Post-Employment Liabilities (Continued)

(c) *Workplace Safety and Insurance (WSI) Benefits*

The Region is a Schedule II employer under the Workplace Safety and Insurance Act and follows a policy of self-insurance for employees. Accordingly, the Region assumes liability for awards made under the Act, reimbursing the Workplace Safety and Insurance Board for costs relating to its workers' claims. The liability for WSI benefits and expense, as determined by actuarial valuation at December 31, 2018, updated to December 31, 2020, is as follows:

	<u>2020</u>	<u>2019</u>
Liability for WSI benefits		
Accrued benefit obligation, beginning of year	\$ 28,445	\$ 27,919
Current period benefit cost	5,489	5,308
Interest on accrued benefit obligation	1,052	1,031
Benefit payments	(5,986)	(5,813)
Accrued benefit obligation, end of year	29,000	28,445
Unamortized actuarial losses	(7,462)	(8,460)
Liability for WSI benefits	<u>\$ 21,538</u>	<u>\$ 19,985</u>
 WSI benefit expense		
Current period benefit cost	\$ 5,489	\$ 5,308
Interest on accrued benefit obligation	1,052	1,031
Amortization of actuarial losses/(gains)	998	1,025
Total WSI benefit expense	<u>\$ 7,539</u>	<u>\$ 7,364</u>

Actuarial gains/losses are amortized over the expected average remaining service life of nine to ten years for the related employee groups.

The Regional Municipality of Durham

Notes to the Consolidated Financial Statements

December 31, 2020
(in thousands of dollars)

7. Landfill Closure and Post Closure Liabilities

The Region owns seven closed landfill sites and is responsible for post closure, which includes monitoring of ground and surface water, leachate and gas, ongoing maintenance and annual reporting for a period of 40 years. Closure costs include final cover and vegetation, drainage control features, leachate control and monitoring systems, water quality monitoring systems, gas monitoring and recovery, land acquisition (buffer zones), site remediation, and site closure reports.

The total estimated cost for closure and post closure care is \$7,248 (2019 - \$17,171) and is reported on the Consolidated Statement of Financial Position. A discount factor of 4.25%, less an estimated inflation factor of 2%, has been used to calculate the total estimated cost.

8. Liability for Contaminated Sites

A contaminated site exists when substances introduced into the air, soil, water or sediment exceeds the maximum acceptable environmental standards and a liability for remediation occurs when a site is not in productive use. The estimated liability includes costs directly attributable to remediation activities as well as post remediation, maintenance and monitoring of the contaminated site, net of any expected recoveries.

As at December 31, 2020, there are no contaminated sites that meet the specified criteria and no liability (2019 - \$nil) for contaminated sites has been recorded in these Consolidated Financial Statements.

The Regional Municipality of Durham

Notes to the Consolidated Financial Statements

December 31, 2020
(in thousands of dollars)

9. Tangible Capital Assets

The net book value of tangible capital assets reported in the Consolidated Statement of Financial Position is made up of the following:

	2020	2019
Land	\$ 72,027	\$ 50,958
Land improvements	16,715	15,690
Building and building improvements	693,676	695,677
Vehicles	58,466	63,742
Machinery and equipment	418,518	422,780
Water and wastewater - infrastructure	1,733,783	1,693,272
Roads - infrastructure	855,342	821,173
	<u>3,848,527</u>	<u>3,763,292</u>
Work in progress	311,013	323,798
	<u>\$4,159,540</u>	<u>\$ 4,087,090</u>

The Consolidated Schedule of Tangible Capital Assets (Schedule 2) discloses the changes in the cost and accumulated amortization by category.

(a) *Work in Progress*

Work in progress, having a value of \$311,013 (2019 - \$323,798) has not been amortized. Amortization of these assets will commence when the assets are put in service.

(b) *Contributed Tangible Capital Assets*

Typical examples of contributed tangible capital assets are water and wastewater infrastructure installed by developers. The value of contributed tangible capital assets transferred to the Region in 2020 was \$28,704 (2019 - \$13,016).

(c) *Tangible Capital Assets Recognized at Nominal Values*

Certain tangible capital assets, primarily land under roads, have been assigned a nominal value because of the difficulty of determining a tenable valuation and/or the tangible capital assets were older than their estimated useful lives, and therefore were already fully amortized.

(d) *Works of Art and Historical Treasures*

No works of art or historical treasures are held by the Region.

(e) *Other*

During the year, there were no write-downs of assets (2019 - \$nil), no interest was capitalized (2019 - \$nil), and there are no capital lease obligations (2019 - \$nil).

The Regional Municipality of Durham

Notes to the Consolidated Financial Statements

December 31, 2020
(in thousands of dollars)

10. Accumulated Surplus

The accumulated surplus consists of the following:

	2020	2019
Surplus		
Tangible capital assets (Note 9)	\$ 4,159,540	\$ 4,087,090
Regional debenture debt (Note 5)	(53,945)	(71,596)
Unexpended capital financing for future capital acquisitions	454,448	333,819
Employee benefits and post-employment liabilities (Note 6)	(185,281)	(177,772)
Landfill closure and post closure liabilities (Note 7)	(7,248)	(17,171)
Total Surplus	4,367,514	4,154,370
Reserves Set Aside By Council		
Capital	262,327	258,812
Sick leave	135,771	131,268
Working capital	49,869	48,563
Regional roads	53,497	48,050
Property tax assessment appeals	32,764	30,306
Employee benefits	24,989	22,701
Equipment replacement	13,965	16,260
UOIT and Durham College	937	937
Contingencies	400	400
Total Reserves	574,519	557,297
Reserve Funds Set Aside For Specific Purpose By Council		
Treatment plant/rate stabilization - Sanitary sewerage	206,881	193,915
Capital impact stabilization fund	197,477	193,368
Treatment plant/rate stabilization - Water supply	136,143	121,526
Solid waste management	103,483	84,458
Insurance	69,153	68,124
Operating impact stabilization fund	75,507	61,909
Asset management	54,127	48,952
Workers' compensation	46,365	44,335
Transit capital	44,343	40,067
Social housing	29,937	35,371
Seaton facilities	32,280	32,034
Roads rehabilitation	29,636	28,924
Servicing of employment lands and key locations	18,815	19,650
Regional revitalization	17,852	15,654
Bridge rehabilitation	7,709	9,674
Innovation and modernization initiatives	3,386	5,254
Vision zero initiatives	3,980	5,031
Climate mitigation and environment	4,218	5,031
Economic development	5,724	4,642
Other reserve funds	42,386	20,254
Total Reserve Funds	1,129,402	1,038,173
Accumulated Surplus	\$ 6,071,435	\$ 5,749,840

The Regional Municipality of Durham

Notes to the Consolidated Financial Statements

December 31, 2020
(in thousands of dollars)

11. Budget Amounts

The budget figures presented for comparative purposes in the Consolidated Statement of Operations and Change in Net Financial Assets represent the cash basis budgets for Property Tax, Water Supply and Sanitary Sewer, as approved by Regional Council, adjusted to the full accrual basis, as required by Public Sector Accounting Standards ("PSAS"). The adjustments are as follows:

	Property Tax	Water Supply	Sanitary Sewerage	Total
	\$	\$	\$	\$
Revenues				
Approved Budget	1,442,559	152,578	205,465	1,800,602
Reclassifications between revenue and expense	(1,998)	(225)	(16,571)	(18,794)
Budget before PSAS adjustments	1,440,561	152,353	188,894	1,781,808
Contributed tangible capital assets	1,259	6,843	7,231	15,333
Transfers from reserves and reserve funds	(110,254)	(6,221)	(11,383)	(127,858)
Proceeds of debt issued for Regional purposes	(132,000)	-	-	(132,000)
Total Revenues	1,199,566	152,975	184,742	1,537,283
Expenses				
Approved Budget	1,442,559	152,578	205,465	1,800,602
Reclassifications between revenue and expense	(1,998)	(225)	(16,571)	(18,794)
Budget before PSAS adjustments	1,440,561	152,353	188,894	1,781,808
Post-employment benefit expense	12,278	623	716	13,617
Landfill closure and post closure costs	4,701	-	-	4,701
Amortization	89,152	24,673	30,659	144,484
Transfers to reserves and reserve funds	(99,849)	(8,956)	(26,022)	(134,827)
Acquisition of tangible capital assets	(327,029)	(82,032)	(77,293)	(486,354)
Less: Recovery for shared ownership	52,417	962	18,343	71,722
Net Acquisition of tangible capital assets	(274,612)	(81,070)	(58,950)	(414,632)
Regional debenture debt principal repayments	(11,003)	-	(5,971)	(16,974)
Total Expenses	1,161,228	87,623	129,326	1,378,177
Annual Surplus	38,338	65,352	55,416	159,106

The budget for property tax purposes was presented to Regional Council under Report 2020-F-4 and was approved February 26, 2020 under by-laws 05-2020, 06-2020, and 07-2020.

The budget for water supply and sanitary sewerage were presented to Regional Council in Report 2019-F-52 and were approved December 18, 2019 under by-laws 066-2019 and 067-2019.

The Regional Municipality of Durham

Notes to the Consolidated Financial Statements

December 31, 2020
(in thousands of dollars)

12. Contractual Obligations

(a) *Sanitary Sewerage System*

The Region and the Regional Municipality of York jointly own certain sanitary sewerage systems and have entered into a joint operating agreement, whereby the Region operates and maintains these facilities. Each co-owner is responsible for its share of tangible capital asset acquisitions and operating costs based on actual sewerage flows.

(b) *Solid Waste Management*

The Region and the Regional Municipality of York jointly own a waste management facility that produces energy from the combustion of residual solid waste. The facility, which began commercial operations in 2016, is operated by a third party contractor under a twenty year agreement with the owners. Each owner is responsible for its share of costs based on tonnages of solid waste processed, to a combined total of 140,000 tonnes per year. Revenue from the sale of electricity generated is shared between the owners based on their ownership share.

(c) *Lease Commitments*

The Region has commitments under various building, land and equipment lease agreements expiring from 2021 to 2031. These operating leases require approximate annual rental payments as follows:

2021	4,601
2022	2,843
2023	2,623
2024	2,034
2025	1,488
Thereafter	4,159
	<u>\$ 17,748</u>

(d) *Tangible Capital Assets Commitments*

Contractual obligations for tangible capital asset work in progress total approximately \$218,300 (2019 - \$141,135). Financing for these commitments has been approved by Regional Council.

(e) *Advancement of Infrastructure*

The Region has entered into agreements whereby owners of land receive a credit towards development charges that would otherwise be due under the Region's development charge by-laws in exchange for the advancement of construction of infrastructure assets that become tangible capital assets of the Region.

Deferred revenue earned from development charges, equivalent to the value of the infrastructure assets, is recognized at the time payment is received for regionally-constructed works, or when the developer-constructed assets are transferred to the Region. Credits issued and outstanding under such agreements total \$154,813 (2019 - \$92,436), of which \$9,192 (2019 - \$6,313) is recognized as deferred revenue earned in the current year.

13. Contingency

The Region has been named as defendant in certain legal actions in which damages have been sought. The outcome of these actions is not determinable as at December 31, 2020; however, in the opinion of management, any liability that may arise from such actions would not have a significant adverse effect on the Consolidated Financial Statements.

The Regional Municipality of Durham

Notes to the Consolidated Financial Statements

December 31, 2020
(in thousands of dollars)

14. Pension Contributions

The Region contributed \$48,182 (2019 - \$45,150) to OMERS on behalf of 5,486 employees for current service. Contributions by employees were a similar amount. The Region's contributions are included on the Consolidated Statement of Operations and Accumulated Surplus classified under the appropriate functional expense category. As at December 31, 2020, the OMERS plan, with approximately 526,000 members, has a funding deficit that is approximately \$3.2 billion.

15. Provincial Offences Administration

The Region has assumed responsibility for the administration of fines arising under the Provincial Offences Act ("POA") from the Ministry of the Attorney General. The Region provides court support, administration and collection functions for all related fines and fees and prosecutes matters under the POA. The POA is a procedural law for administering and prosecuting provincial offences, including those committed under the Highway Traffic Act, Compulsory Automobile Insurance Act, Trespass to Property Act, Liquor Licence Act, municipal by-laws and minor federal offences. Offenders may pay their fines at any Provincial Offences court office in Ontario, at which time the receipts are recorded in the Integrated Courts Operation Network system ("ICON").

Gross revenues for POA charges total \$5,156 (2019 - \$6,164). Net program costs total \$929 (2019 - \$369). Local municipalities share 60 per cent of net revenues and the Region retains 40 per cent. As there were no net revenues, the Region was responsible for the net costs (2019 - nil net revenue).

16. Trust Funds

Trust Funds administered by the Region amount to \$886 (2019 - \$785) and are presented in separate Trust Funds Statements of Financial Position and Financial Activities and Fund Balances. As such, balances held in trust by the Region for the benefit of others have not been included in the Consolidated Statement of Financial Position, nor have their operations been included in the Consolidated Statement of Operations and Accumulated Surplus.

17. COVID-19 Pandemic

On March 11, 2020, The World Health Organization characterized the outbreak of a strain of the novel coronavirus ("COVID-19") as a pandemic which has resulted in a series of public health and emergency measures that have been put in place to combat the spread of the virus. On March 17, 2020, the Province of Ontario ("Province") made an order declaring a state of emergency in response to COVID-19 and the Region followed suit on March 24, 2020.

As a result of the COVID-19 pandemic response, the Region experienced a change in demand for some of its services and incurred unbudgeted pandemic response and recovery expenditures during the year ended December 31, 2020. The Province issued a series of funding announcements during the year to support the continued COVID-19 response across the municipal sector. The various funding envelopes are intended to support the continued provision of service during the pandemic, to reduce operating pressures resulting from contact tracing, enhanced sanitation and protection measures, particularly in long-term care, and replace lost revenue, primarily for transit services.

The duration and impact of the COVID-19 pandemic is unknown at this time and it is not possible to reliably estimate the impact that the length and severity of the pandemic will have on the financial results and condition of the Region in future periods.

The Regional Municipality of Durham
Consolidated Schedule of Deferred Revenue

Year ended December 31, 2020
(in thousands of dollars)

Schedule 1

	INCREASE IN DEFERRED REVENUE						BALANCE, END OF YEAR
	BALANCE, BEGINNING OF YEAR	Interest	Government transfers	Development charges collected	Total	DEFERRED REVENUE EARNED	
	\$						
Development Charges							
Residential & Non-Residential							
Sanitary sewerage	153,205	1,844	-	35,443	37,287	16,546	173,946
Water supply	308,887	3,442	-	44,406	47,848	15,765	340,970
Roads	191,378	1,883	-	47,461	49,344	29,570	211,152
Transit	17,187	354	-	6,074	6,428	2,559	21,056
Residential							
Police	16,987	350	-	2,932	3,282	29	20,240
Long-Term Care	-	-	-	78	78	78	-
Development Charge Study	643	13	-	88	101	2	742
GO Transit	-	-	-	3,027	3,027	3,027	-
Emergency Medical Services	4,152	61	-	741	802	438	4,516
Health & Social Services	1,968	42	-	503	545	-	2,513
Social Housing	1,515	39	-	1,575	1,614	-	3,129
Development Charges	695,922	8,028	-	142,328	150,356	68,014	778,264
Gas Tax							
Federal	27,258	496	19,589	-	20,085	14,864	32,479
Provincial	18,454	345	8,978	-	9,323	9,714	18,063
Gas Tax	45,712	841	28,567	-	29,408	24,578	50,542
Conditional Grants							
Transit	371	-	-	-	-	-	371
Municipal Infrastructure	2,786	-	-	-	-	-	2,786
Social Housing	5,780	23	7,149	-	7,172	7,864	5,088
Conditional Grants	8,937	23	7,149	-	7,172	7,864	8,245
Total	750,571	8,892	35,716	142,328	186,936	100,456	837,051

The Regional Municipality of Durham
Consolidated Schedule of Tangible Capital Assets

Year ended December 31, 2020

(in thousands of dollars)

Schedule 2

	Land	Landfills	Land improvements	Buildings and building improvements	Vehicles	Machinery and equipment	Water and wastewater - infrastructure	Roads - infrastructure	Work in progress	2020 Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
COST										
Balance, beginning of year	50,958	1,199	26,391	1,006,564	152,599	872,294	2,350,403	1,395,544	323,798	6,179,750
Additions	20,876	-	2,307	23,947	8,390	36,089	44,062	74,556	197,442	407,669
Contributed tangible capital assets	250	-	-	-	-	943	27,511	-	-	28,704
Work in progress completed	-	-	-	-	-	-	-	-	(210,227)	(210,227)
Disposals	(57)	-	(15)	(734)	(3,197)	(2,520)	(540)	(3,686)	-	(10,749)
BALANCE, END OF YEAR	72,027	1,199	28,683	1,029,777	157,792	906,806	2,421,436	1,466,414	311,013	6,395,147
ACCUMULATED AMORTIZATION										
Balance, beginning of year	-	1,199	10,701	310,887	88,857	449,514	657,131	574,371	-	2,092,660
Amortization of tangible capital assets	-	-	1,282	25,689	13,352	41,206	30,811	39,190	-	151,530
Disposals	-	-	(15)	(475)	(2,883)	(2,432)	(289)	(2,489)	-	(8,583)
BALANCE, END OF YEAR	-	1,199	11,968	336,101	99,326	488,288	687,653	611,072	-	2,235,607
NET BOOK VALUE, END OF YEAR	72,027	-	16,715	693,676	58,466	418,518	1,733,783	855,342	311,013	4,159,540

The Regional Municipality of Durham
Consolidated Schedule of Tangible Capital Assets

Year ended December 31, 2019

(in thousands of dollars)

Schedule 2

	Land	Landfills	Land improvements	Buildings and building improvements	Vehicles	Machinery and equipment	Water and wastewater - infrastructure	Roads - infrastructure	Work in progress	2019 Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
COST										
Balance, beginning of year	50,762	1,199	25,058	968,626	142,742	829,013	2,261,916	1,371,911	354,317	6,005,544
Additions	196	-	1,334	37,945	18,394	46,304	75,693	27,578	176,925	384,369
Contributed tangible capital assets	-	-	-	-	-	-	13,016	-	-	13,016
Work in progress completed	-	-	-	-	-	-	-	-	(207,444)	(207,444)
Disposals	-	-	(1)	(7)	(8,537)	(3,023)	(222)	(3,945)	-	(15,735)
BALANCE, END OF YEAR	50,958	1,199	26,391	1,006,564	152,599	872,294	2,350,403	1,395,544	323,798	6,179,750
ACCUMULATED AMORTIZATION										
Balance, beginning of year	-	1,199	9,533	286,521	83,017	414,439	627,405	539,575	-	1,961,689
Amortization of tangible capital assets	-	-	1,169	24,373	14,030	38,088	29,884	38,186	-	145,730
Disposals	-	-	(1)	(7)	(8,190)	(3,013)	(158)	(3,390)	-	(14,759)
BALANCE, END OF YEAR	-	1,199	10,701	310,887	88,857	449,514	657,131	574,371	-	2,092,660
NET BOOK VALUE, END OF YEAR	50,958	-	15,690	695,677	63,742	422,780	1,693,272	821,173	323,798	4,087,090

The Regional Municipality of Durham

Consolidated Schedule of Segment Disclosure

Year ended December 31, 2020

(in thousands of dollars)

Schedule 3

	General Government	Protection to Persons and Property	Transportation Services	Transit	Environmental Services	Health Services	Social and Family Services	Social Housing	Unallocated	2020 Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
REVENUES										
Property taxes	-	-	-	-	-	-	-	-	720,698	720,698
User charges	1,681	5,288	3,425	14,626	289,145	714	21,566	7,410	-	343,855
Government transfers	15,416	8,628	-	9,169	10,572	69,802	242,519	13,035	-	369,141
Deferred revenue earned	2	29	35,491	15,300	41,223	438	78	7,895	-	100,456
Fines	-	5,156	-	-	-	-	-	-	-	5,156
Contributed tangible capital assets	-	-	250	-	28,454	-	-	-	-	28,704
Other	16	194	2,660	1,217	1,980	15	1	-	62,217	68,300
TOTAL REVENUES	17,115	19,295	41,826	40,312	371,374	70,969	264,164	28,340	782,915	1,636,310
EXPENSES										
Salaries, wages and benefits	53,492	195,054	23,698	51,531	71,599	97,035	153,033	5,519	-	650,961
Operating materials and supplies	16,780	20,754	16,518	18,212	73,532	7,674	19,589	8,715	-	181,774
Contracted services	12,085	5,780	2,935	10,297	53,150	1,580	69,592	2,401	-	157,820
Rents and financial services	415	2,382	1,533	826	8,239	519	1,813	2,807	-	18,534
Government transfers	1,973	8,915	-	5,424	-	-	84,179	50,596	-	151,087
Amortization of tangible capital assets	3,568	9,536	44,819	9,837	71,681	3,524	7,635	930	-	151,530
Interfunctional charges	(15,533)	565	(44)	2,386	10,752	772	100	1,002	-	-
Debenture interest	92	480	25	22	463	84	1,829	14	-	3,009
TOTAL EXPENSES	72,872	243,466	89,484	98,535	289,416	111,188	337,770	71,984	-	1,314,715
ANNUAL SURPLUS	(55,757)	(224,171)	(47,658)	(58,223)	81,958	(40,219)	(73,606)	(43,644)	782,915	321,595

The Regional Municipality of Durham

Consolidated Schedule of Segment Disclosure

Year ended December 31, 2019

(in thousands of dollars)

Schedule 3

	General Government	Protection to Persons and Property	Transportation Services	Transit	Environmental Services	Health Services	Social and Family Services	Social Housing	Unallocated	2019 Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
REVENUES										
Property taxes	-	-	-	-	-	-	-	-	690,912	690,912
User charges	1,518	6,601	3,584	29,884	257,461	1,084	23,423	7,362	-	330,917
Government transfers	497	9,062	23	4,492	15,164	59,374	234,069	10,531	-	333,212
Deferred revenue earned	12	257	19,729	9,953	40,550	182	50	8,344	-	79,077
Fines	-	6,164	-	-	-	-	-	-	-	6,164
Contributed tangible capital assets	-	-	-	-	13,016	-	-	-	-	13,016
Other	41	204	830	758	9,918	34	75	-	79,526	91,386
TOTAL REVENUES	2,068	22,288	24,166	45,087	336,109	60,674	257,617	26,237	770,438	1,544,684
EXPENSES										
Salaries, wages and benefits	52,888	189,387	20,088	52,480	68,776	87,287	143,696	4,858	-	619,460
Operating materials and supplies	14,685	20,163	21,538	20,121	67,698	8,366	18,510	9,003	-	180,084
Contracted services	12,014	6,263	2,844	13,635	64,041	1,637	72,510	455	-	173,399
Rents and financial services	408	2,444	587	786	7,621	571	1,817	2,587	-	16,821
Government transfers	2,318	8,261	-	8,424	-	-	92,562	46,692	-	158,257
Amortization of tangible capital assets	3,843	9,866	43,524	9,856	66,849	3,539	7,479	774	-	145,730
Interfunctional charges	(15,852)	531	(63)	2,483	10,858	852	310	881	-	-
Debenture interest	120	604	33	41	839	108	2,130	18	-	3,893
TOTAL EXPENSES	70,424	237,519	88,551	107,826	286,682	102,360	339,014	65,268	-	1,297,644
ANNUAL SURPLUS	(68,356)	(215,231)	(64,385)	(62,739)	49,427	(41,686)	(81,397)	(39,031)	770,438	247,040

Trust Funds Financial Statements

For the year ended December 31, 2020

Independent Auditor's Report

To the Members of Council, Inhabitants and Ratepayers of
the Regional Municipality of Durham

Opinion

We have audited the financial statements of the trust funds of the Regional Municipality of Durham, which comprise the statement of financial position as at December 31, 2020, and the statements of financial activities and fund balance and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the trust funds of the Regional Municipality of Durham as at December 31, 2020, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the trust funds of the Regional Municipality of Durham in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Regional Municipality of Durham's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Regional Municipality of Durham or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the trust funds of the Regional Municipality of Durham's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the trust funds of the Regional Municipality of Durham's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Regional Municipality of Durham's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Regional Municipality of Durham to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants
June 15, 2021

The Regional Municipality of Durham

Trust Funds: Statement of Financial Position

December 31, 2020

(in thousands of dollars)

	2020					2019
	Long-Term Care					Total
	Residents	Donations	Bequests	Other	Total	
	\$	\$	\$	\$	\$	\$
FINANCIAL ASSET						
Cash	166	285	86	349	886	785
FUND BALANCES	166	285	86	349	886	785

The Regional Municipality of Durham

Trust Funds: Statement of Financial Activities and Fund Balances

Year ended December 31, 2020

(in thousands of dollars)

	2020					2019
	Long-Term Care					Total
	Residents	Donations	Bequests	Other	Total	
	\$	\$	\$	\$	\$	\$
REVENUES						
Residents	651	18	-	-	669	671
Recipients	-	-	-	1,085	1,085	957
Interest earned	-	5	2	3	10	13
TOTAL REVENUES	651	23	2	1,088	1,764	1,641
EXPENSES ON BEHALF OF						
Residents	660	15	-	-	675	719
Recipients	-	-	-	988	988	915
TOTAL EXPENSES	660	15	-	988	1,663	1,634
NET REVENUES/(EXPENSES)	(9)	8	2	100	101	7
FUND BALANCES, BEGINNING OF YEAR	175	277	84	249	785	778
FUND BALANCES, END OF YEAR	166	285	86	349	886	785

The accompanying notes are an integral part of these financial statements.

The Regional Municipality of Durham

Notes to the Trust Funds Financial Statements

December 31, 2020
(in thousands of dollars)

1. Accounting Policies

The financial statements of the trust funds of the Regional Municipality of Durham are the representations of management and are prepared in accordance with Canadian accounting standards for not-for-profit organizations and reflect the following policies:

(a) *Basis of Accounting*

Revenues are recorded in the period in which the transactions or events occurred that gave rise to the revenue. Expenses are recorded in the period the goods and services are acquired and a liability is incurred.

(b) *Use of Estimates*

The preparation of the periodic financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the period. Actual results may differ from these estimates.

2. Statement of Cash Flows

A statement of cash flows has not been included in these financial statements as the information that would be provided is readily available from the information presented.